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## Agenda Item 5b

August 15, 2011

### TO: MEMBERS OF THE INVESTMENT COMMITTEE

- I. **SUBJECT:** Real Estate Board Investment Consultant  
Revised Letter of Engagement
- II. **PROGRAM:** Real Estate
- III. **RECOMMENDATION:**
  - 1) Approve Revised Letter of Engagement Services and Extension of Expiration Date to March 31, 2012
  - 2) Approve Exemption Request for Special Project Consultant Work for Staff through March 31, 2012

### IV. ANALYSIS:

#### **Background**

In January 2009, Pension Consulting Alliance, Inc. (PCA) was engaged through a Letter of Engagement (LOE) to serve as the Real Estate Board Investment Consultant. In May 2010, the Investment Committee (Committee) approved an extension through December 31, 2011, to allow for continuity through the implementation of the Real Estate Strategic Plan.

In June 2011, the Committee approved initiation of the competitive selection process and the associated services to be performed for the Real Estate Board Investment Consultant. The services to be performed are aligned with the Investment Policy for the Role of Private Asset Class Consultants (Policy). The Policy was recommended for approval by the Investment Policy Subcommittee in June 2011, and will be presented to the Committee on August 15, 2011. Staff anticipates a contract for these services will be executed by April 1, 2012.

#### **Analysis**

Staff revised PCA's existing LOE (Attachment 1) for Committee approval to reflect the new services to be performed as outlined in the Policy. Staff also extended the LOE expiration date to March 31, 2012, to ensure ongoing services until a new contract is executed. Staff negotiated with PCA for a cost of \$95,000 per month to perform the services, which is the rate PCA currently charges under the existing LOE.

In addition, PCA is also performing work for staff which may be considered outside the parameters of the Policy, but is deemed critical and must continue through to completion. In accordance with the Policy, staff seeks committee approval to continue such work.

Staff requests PCA be permitted to continue its work in support of the Asset Transfer Process relative to the Long Term Land (LTL) Fund and the California Urban Investment Partners (CUIP) program. PCA has been working with staff on this since September 2009, and possesses the necessary subject matter expertise and historical knowledge of the related partnerships to finish this work successfully. Staff anticipates this work to be complete by March 31, 2012.

Staff requests PCA also be permitted to continue its work on the Responsible Contracting Program (RCP). The Board, staff, and PCA have worked together on RCP-related matters since 1994. PCA's work for the Board is critical to build relationships with interested stakeholders and to implement related policy revisions which have resulted in the ongoing success of the RCP program. Currently, PCA is working on a revision focused on the monitoring, enforcement, and bidding notification language of the Policy. Staff anticipates this work will also be completed by March 31, 2012.

An exemption from the Committee is required to allow PCA to continue the work related to the LTL Fund, CUIP, and RCP Programs.

### **Recommendation**

Staff makes the following recommendations to the Committee:

1. Approve revised LOE services and extension of the expiration date to March 31, 2012.
2. Approve exemption request for special project consultant work for Staff through March 31, 2012.

## **V. STRATEGIC PLAN:**

This item supports the following strategic goals:

- Goal VIII: Manage the risk and volatility of assets and liabilities to ensure sufficient funds are available, first to pay benefits and second, to minimize and stabilize contributions.
- Goal IX: Achieve long-term, sustainable risk adjusted returns.

## **VI. RESULTS/COSTS:**

Costs are included in the existing Investment Office budget.

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KAREN VAN AMERONGEN, Contract Manager  
Policy and Business Support

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KAMI NIEBANK, Chief  
Policy and Business Support

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JANINE GUILLOT  
Chief Operating Investment Officer

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JOSEPH A. DEAR  
Chief Investment Officer